



***United States Attorney
Southern District of New York***

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**2 LAWYERS GET FEDERAL PRISON TERMS FOR STEALING OVER
\$350,000 FROM CLIENTS IN RETAINER SCHEME**

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced today that ALLEN VIRAG and MARK VIRAG have each been sentenced to terms of imprisonment for their roles in connection with an extensive scheme to defraud clients of their law practice.

On January 17, 2003, United States District Judge DENISE L. COTE sentenced MARK VIRAG to 21 months in prison, and a \$50,000 fine. On February 20, 2003, Judge COTE sentenced ALLEN VIRAG to 6 months in prison and a \$20,000 fine. Judge COTE also ordered both defendants to jointly pay \$362,548 in restitution to their victimized clients.

According to the 24-count Information, the defendants realized more than \$350,000 in illegal fees from their client victims. ALLEN VIRAG and MARK VIRAG were partners at the law firm of Virag & Virag, located at 225 Broadway in Manhattan. The law practice of Virag & Virag primarily consisted of personal

injury litigation in state and federal courts. This personal injury litigation was handled on a contingency basis, so that clients did not pay any attorneys' fees unless and until Virag & Virag obtained a recovery for them.

Virag & Virag utilized two types of retainer agreements. One type of retainer agreement provided that the client would pay Virag & Virag 33 1/3% of the sum recovered for the client (the "one-third retainer agreement"). The second type of retainer agreement provided for a "sliding scale" basis of compensation. Specifically, the client would agree to pay Virag & Virag (a) 50% on the first \$1,000 of the sum recovered; (b) 40% on the next \$2,000 of the sum recovered; (c) 35% on the next \$22,000 of the sum recovered; and (d) 25% on any amount over \$25,000 of the sum recovered (the "sliding scale retainer agreement").

For cases in which the sum recovered was relatively low, the sliding scale retainer agreement was more profitable for Virag & Virag than the one-third retainer agreement, according to the Information, and for cases in which the sum recovered was relatively high, the one-third retainer agreement was more profitable for Virag & Virag than the sliding scale agreement. When a client initially retained Virag & Virag, the initiating attorney would select the type of retainer agreement, depending upon which type would be more profitable for the law firm.

When clients' personal injury claims were resolved, an attorney at Virag & Virag calculated the amount of recovery for

the client and the attorneys' fees owed to Virag & Virag. According to the Information, in certain cases in which the client had signed a sliding-scale retainer agreement, the attorneys' fees would have been greater if the client had signed a one-third retainer agreement. For some of these clients, ALLEN VIRAG and MARK VIRAG failed to pay the client the full amount owed. Instead, ALLEN VIRAG and MARK VIRAG paid the client as if there was a one-third retainer agreement, when in fact, they knew that the client had agreed to a sliding scale retainer agreement. Through this scheme, ALLEN VIRAG and MARK VIRAG obtained a larger attorneys' fee than that to which they were entitled.

When clients' personal injury claims were resolved, by trial or settlement, Virag & Virag typically received the entire sum paid by the paying party. It was the practice of Virag & Virag to deposit such funds into an escrow account maintained for client funds, until Virag & Virag issued the appropriate checks to the client, itself, and any third parties when money was owed.

According to the Information, MARK VIRAG, on some occasions, misappropriated client funds from the escrow account for his own use. Among other means, MARK VIRAG took checks payable to clients from the escrow funds and endorsed them himself. By failing to pay money owed to clients from the escrow funds, he was able to retain some of the money for his own use.

MARK VIRAG, 59, of North Woodmere, New York, pled guilty to 24 counts of mail fraud, with each count relating to the fraud on a particular client. According to the Information,

MARK VIRAG committed the retainer agreement fraud with respect to 8 clients, and the escrow account fraud with respect to 5 clients. For 11 clients, MARK VIRAG committed both types of fraud on the same client.

ALLEN VIRAG, 56, of Valley Stream, New York, pled guilty to 1 count of mail fraud, involving a retainer agreement fraud with respect to 1 client.

Mr. COMEY thanked the U.S. Postal Inspection Service for their assistance in the investigation.

Assistant United States Attorney LAURA GROSSFIELD BIRGER is in charge of the prosecution.

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